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# **Governor's Earned Income Tax Credit Arizona Initiative**

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***Empowering Low and Moderate Income  
Families to Build Economic Success***

**Tax Year Report Reflecting Calendar Year 2008**

**July 2009**

**Governor's Office for Children, Youth and Families**

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## Overview and History

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low and moderate income working individuals and families. The tax credit partially balances out the weight of social security taxes, and provides an additional reason for individuals to seek and maintain employment. A taxpayer must meet certain requirements and file a tax return to qualify for the credit, even if his or her income falls below that which mandates filing a tax return. Depending on income, in 2008 EITC could be as much as \$4,824, and could boost a family's income by nearly 35 percent. EITC provides more immediate financial assistance to working individuals and families in need than any other effort. This added income helps improve the financial stability of families and contributes to stimulating the economies where they live.

At a National Governor's Association Meeting in 2003, Governors held strategy sessions about how to improve the fiscal situation of constituents in their respective states. The idea for the EITC task force grew out of these discussions. The Governor's Office assisted in convening the first EITC Task Force meeting in September of 2003. The Task Force grew to provide statewide leadership in promoting and implementing the Earned Income Tax Credit.

## Focus of the Task Force

The EITC Task Force was charged with leading a strategic effort to increase participation by low to moderate income Arizonans in the federal Earned Income Tax Credit Initiative. **In just five years, this effort has seen great success; the number of tax returns prepared at Volunteer Income Tax Assistance (VITA) and American Association of Retired Persons (AARP) Tax Counseling for the Elderly (TCE) sites has increased by 285 percent; and the total EITC refund amount to Arizona taxpayers has increased by 160 percent.**

Although the IRS does not provide state level estimates for Arizona, they can estimate that between 75-80 percent of the eligible customers nationwide received EITC. The IRS cautions against applying

national estimates to state level data to determine participation because results may be different or even higher in Arizona.

### EITC TASK FORCE MISSION

**To empower low to moderate income working families to gain self-sufficiency by building financial awareness, providing free tax preparation, and promoting asset building.**

The IRS website ([www.irs.gov](http://www.irs.gov)) identified the following areas that need outreach to increase EITC utilization:

- Rural taxpayers
- Self-employed
- Disabled
- Taxpayers without children
- Taxpayers not proficient in English
- Older Adults
- Taxpayers experiencing a major life change (i.e. marital status, parental status, and financial situation)

### **Earned Income Tax Credit Background**

The IRS website defines the Earned Income Tax Credit (EITC) as a refundable federal income tax credit for low to moderate income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of social security taxes, and to provide an incentive to work ([www.irs.gov](http://www.irs.gov)).

The EITC is one of the largest and most successful anti-poverty programs in the country. When coupled with proven financial educational strategies, the EITC lifts more children out of poverty than any other federal aid program, and helps low to moderate income families successfully build assets. In the past, many eligible families opted not to file for this tax credit because they were unable to complete the tax forms due to lack of language skills,

fear of owing money, or lack of awareness about the credit. Recent efforts in Arizona have targeted these obstacles and made significant progress in promoting the EITC.

The Governor's Office established the Arizona EITC Task Force in 2003 to champion increased participation by low to moderate income individuals and families in the federal EITC program. The Task Force currently has over 50 representatives from business and non-profit communities, the IRS and Arizona Department of Revenue, as well as tribal, state, county and city governments. Members encourage recipients to utilize tax credit refunds to pay for: bills and utilities; housing down payments; and tuition or job training. These refunds help recipients build personal assets, improve their financial stability and stimulate the local economy.

To increase the number of filers claiming the EITC, the Task Force develops and distributes outreach materials to inform potential tax filers about the EITC and the filing qualifications. These materials are widely distributed throughout the state each year. Task Force members also work with local tribes, nonprofit agencies, businesses and city governments to build a network of trained volunteers to assist filers at Volunteer Income Tax Assistance (VITA) and American Association of Retired Persons (AARP) sites located statewide. The centerpiece of this volunteer network focuses on free tax preparation so that tax filers can keep all of the benefits.

**The following information is a summary of the guidelines listed on the Internal Revenue Service (IRS) website for the EITC. Please visit the website at [www.irs.gov](http://www.irs.gov) for more detailed information.**

### **EITC Qualification**

To claim the EITC in the 2009 tax year for 2008 taxes, taxpayers must:

- ☐ Have earned income,
- ☐ Have a valid Social Security number,
- ☐ Have investment income limited to \$2,950,
- ☐ Have filing status other than “married filing separately,”
- ☐ Be a U.S. Citizen or resident alien all year, or a nonresident alien married to a US citizen or resident alien and filing a joint return,
- ☐ Not be a qualifying child of another person.

Qualifying child criteria:

- ☐ A qualifying child cannot be used by more than one person to claim the EITC,
- ☐ The child must meet the relationship, age and residency tests.

If you do not have a child:

- ☐ You must be at least age 25, but under age 65, at the end of the tax year,
- ☐ You cannot qualify as the dependent of another person,
- ☐ You must have lived in the United States more than half the tax year.

### **EITC Thresholds for Qualification**

*Income Levels to Qualify for the EITC*

Tax Year 2008

Earned Income and Adjusted Gross Income must each be less than:

- \$38,646 (\$41,646 married filing jointly) with two or more qualifying children;
- \$33,995 (\$36,995 married filing jointly) with one qualifying child;
- \$12,880 (\$15,880 married filing jointly) with no qualifying children.

### **Tax Year 2008 Maximum Credit**

- \$4,824 with two or more qualifying children
- \$2,917 with one qualifying child
- \$438 with no qualifying children

## EITC Success Statistics

All EITC statistics from the IRS used in this report for the 2008 calendar year are for tax returns prepared as of April 20, 2009. Last year this report captured statistics through the end of September 2008 because of the stimulus payments. Therefore, some statistical comparisons in this report appear decreased from the year before, such as the number of tax returns prepared, but this is because the stimulus payments generated more people filing tax returns for a longer period of time last year.

### EITC Refund to Arizona Taxpayers

For tax season 2008-09, the total EITC refund to Arizona taxpayers was \$18,407,107, demonstrating a 160 percent increase over the total EITC refund of \$7,076,957 in tax season 2003-04. This increase can be partially attributed to the successful outreach efforts of the EITC Task Force, initiated to inform more

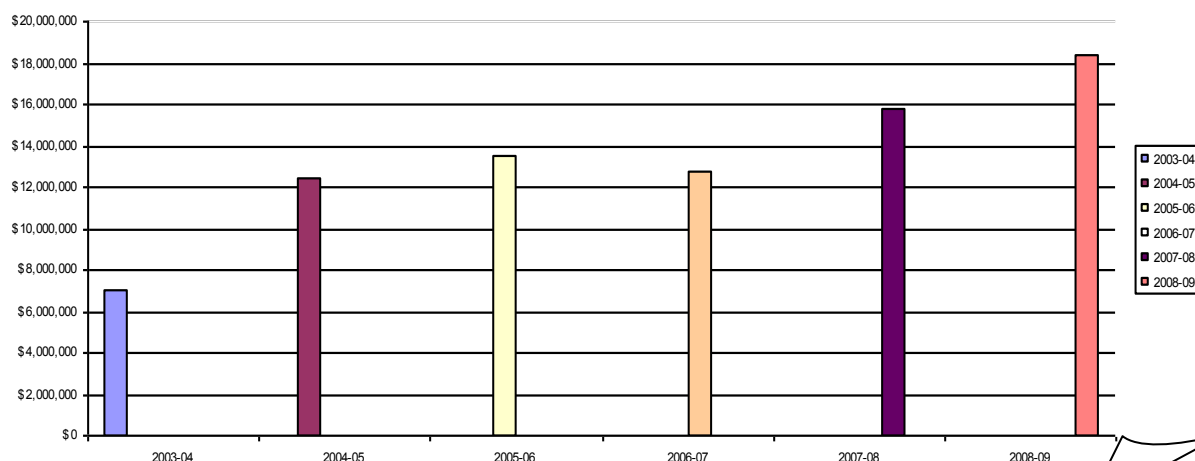
individuals about the EITC and VITA sites. The following graph shows the EITC refund amounts to Arizona taxpayers over the past five tax seasons.

Please note that the information below is displayed by Federal Tax-year; 2003-2004 represents tax returns for calendar year 2003, which were filed in 2004, etc.

### Volunteer Assistance and Recruitment

The VITA Program offers free tax preparation services to low to moderate income individuals. The AARP Tax Counseling for the Elderly (TCE) Program also offers free tax preparation to low to moderate income seniors. Certified volunteers sponsored by various organizations receive training to help prepare basic tax returns in communities across the country. They play a critical role in the EITC outreach and tax preparation

**160% Increase in 2008 compared to 2003 in Total EITC Refund  
Amount to Arizona Taxpayers**



efforts. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls, etc. Many VITA sites offer free electronic filing.

Every year these trained volunteers help low and moderate Arizona taxpayers claim EITC as well as the Child Tax Credit, Education Tax Credit, and Child and Dependent Credit.

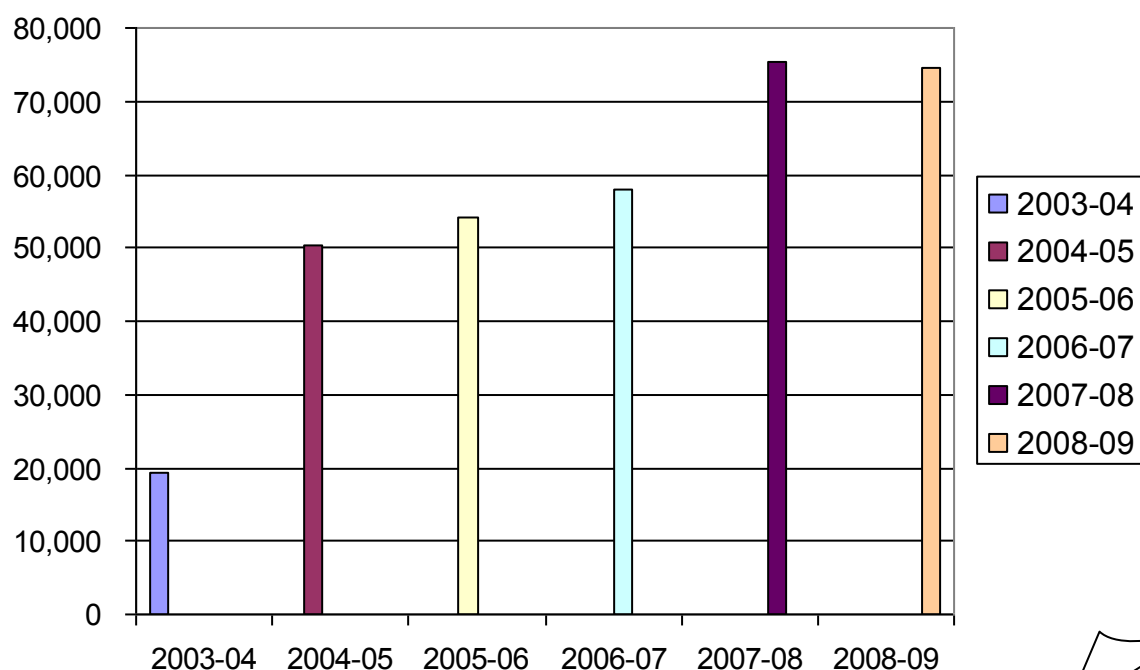
Since 2003, the number of tax returns prepared at VITA sites over the past six years has risen from 19,396 in the 2003-04 tax year to 74,632 in the 2008-09 tax year, which is a 285 percent increase. Examination of the graph below reveals a significant increase between 2003-04 and 2004-05, which coincides with the first year of work by the EITC Task Force.

Please note that the information below is

displayed by Federal Tax-year; 2003-2004 represents tax returns for calendar year 2003, which were filed in 2004, etc.

Note: Not all tax returns prepared at VITA sites are eligible for the EITC.

**285% Increase in the Number of Tax Returns Prepared Since 2003**



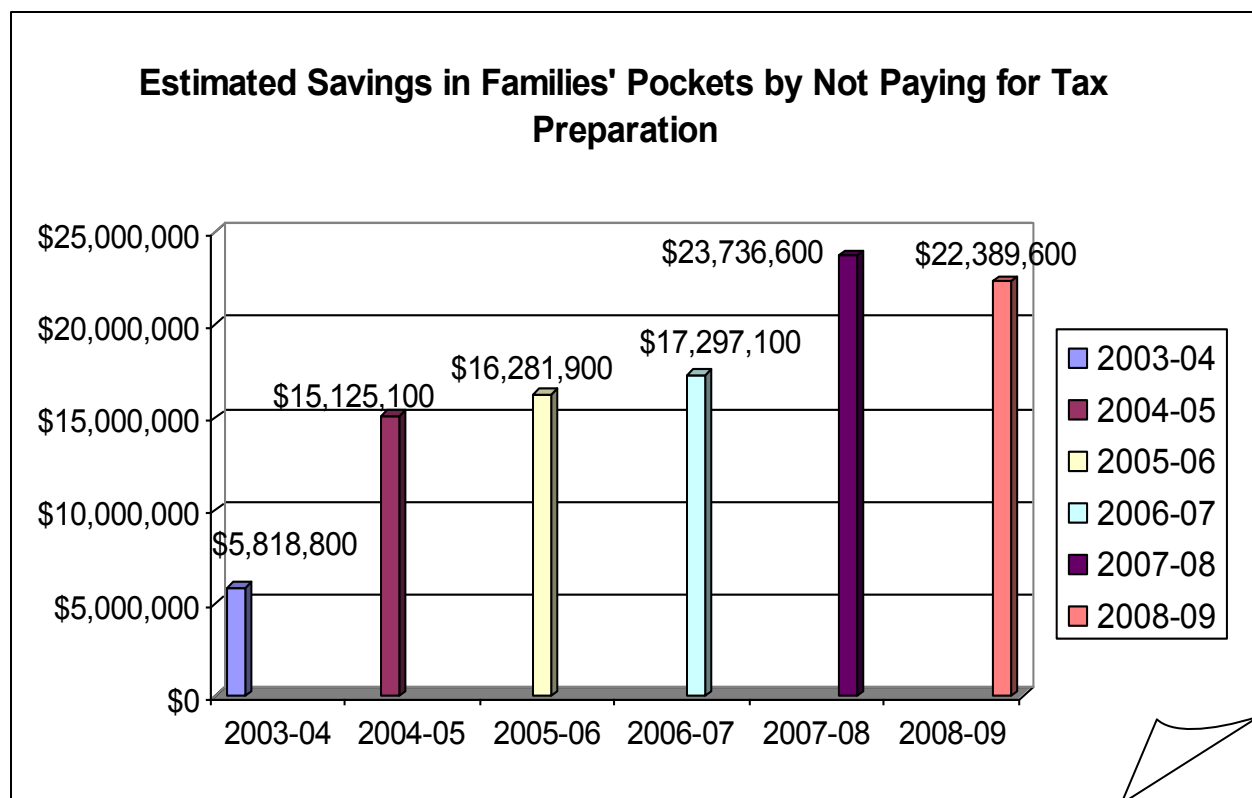


**Estimated Savings in Families' Pockets by Not Paying for Tax Preparation**

By using VITA and AARP tax preparation sites, Arizona families saved \$22,389,600 in 2009 by not paying for tax preparation for their 2008 tax claims. This is an increase of 285 percent since 2003-04 when

Arizona household. The average refund amounts in Arizona had increased 48 percent from 2003 calendar year to 2007 calendar year.

On January 3, 2008, the Treasury Department and IRS issued final regulations under section 7216 of the



the Task Force first started promoting the use of VITA sites for tax preparation for low to moderate income people.

**Arizona EITC Refund Amounts**

In previous annual reports for the EITC Arizona Initiative, the IRS provided information on the average refund per

Internal Revenue Code that prohibits the release of information on average EITC refund amounts. Therefore, the average refund amount information cannot be published in this report.

## Participating Agencies and Businesses

*The following list includes the organizations, agencies and businesses that participate on the EITC Task Force:*

Governor's Office for Children, Youth & Families	Maricopa Associations of Government
AZ Association for Retired Persons	Maximus Workforce Services
AZ Community Action Association	Mesa Community Action Network/A New Leaf
AZ Community Foundation	Mesa United Way
AZ Department of Economic Security	Money Management International/ Consumer Credit Counseling
AZ Department of Revenue	Native Connections
AZ Federal Credit Union	Navajo United Way
Arizona SAVES	Nogales Community Development
ACORN	Pascua Yaqui Tribe
AHCCCS	Qwest
Arizona Public Service	Salt River Project
Bank of America	Self-Employment Loan Fund
Catholic Community Services of Southern AZ	Social Venture Partners Arizona
Children's Action Alliance	Society of St. Vincent de Paul
Cities of: Apache Junction, Avondale, Gilbert, Glendale, Mesa, Nogales, Phoenix, Scottsdale, Chandler, Tempe, Tucson	Southeast AZ Community Action Program
Community Information and Referral	Southwest Gas
Community Legal Services	Southwest Human Development
Diane Demangone Bennett Ltd.	Tempe Community Council
First Things First	United Way of Northern Arizona
Fresh Start Women's Foundation	United Way of Pinal County
Gateway Community College	United Way of Santa Cruz
Gila River Indian Community	United Way of Tucson & Southern Arizona
Internal Revenue Service	Valley of the Sun United Way
International Rescue Committee	Vanguard Group
Intertribal Council of Arizona	VISTA – Volunteers in Service to America
	Wells Fargo Bank

## EITC Task Force Structure and Partnerships

### **EITC Task Force Structure**

The EITC Task Force was co-chaired during 2009 by James Kolar, Vanguard Group; Ricardo Banuelos, United Way Pinal County; and Dawn Wharton, Money Management International/Consumer Credit Counseling. The Governor's Office for Children, Youth and Families, Division for Women (DFW) provided staffing and support for the Governor's EITC Task Force. DFW staff includes Maria-Elena Ochoa, Director; Rachel Whyte, Special Projects Administrator; Melissa LePiane, AmeriCorps\*VISTA Summer Associate, and Annette McGuern, Administrative Coordinator.

### **Community Information and Referral (CIR) EITC Hotline**

An active member of the Task Force, CIR tracks all EITC-related phone calls to the EITC Hotline. During the first four months of the 2009 tax filing season (January — April), the hotline received 9,640 calls; 10,427 referrals were provided to the callers; and the website had 15,301 visits.

### **EITC Brochure**

A brochure is developed each year by the

EITC Task Force. The brochure is written in both English and Spanish. Information includes eligibility requirements, VITA sites, 24-hour Hotline, etc. The Arizona Public Service, Salt River Project and Southwest Gas sponsored and printed the brochures. (See Appendix A)

During tax year 2008-09, Task Force members distributed 195,125 brochures across Arizona. The Task Force also increased focus on getting brochures out to food banks across the state and to the Navajo Nation.

### **Corporate Support**

Many local businesses provided valuable support to the EITC initiative through donations and promotion of related opportunities. These corporations understand how the initiative can benefit their business, their employees and the state's economic prosperity, and are willing to assist either financially, in-kind or with staff volunteer time. One example of corporate support for the EITC initiative is demonstrated by the partnership of Arizona Public Service, Salt River Project and Southwest Gas, who jointly cover the annual printing costs for 200,000 EITC brochures. The EITC could not exhibited

## Next Steps

The EITC Task Force is devoted to increasing participation in the EITC program for low to moderate income Arizona citizens for the 2009-2010 tax year. The Task Force continues its focus on outreach and marketing, volunteer recruitment and training, asset building, financial education and evaluation. As task force staffing transitions from the Governor's Office to the community, members remain committed to building statewide capacity by introducing more tax preparation sites to reach more low income families in rural areas.

## Appendix A

# Are You Eligible to Have Your 2008 TAXES DONE FREE?

**V I T A**  
Volunteer Income Tax Assistance

# You Earned It. Keep All of It!

### EARN IT!

Did you earn less than \$41,846 last year?  
The Earned Income Tax Credit (EITC) could pay  
you as much as \$4,824. Additional credits  
could pay you even more. You don't have to owe  
Federal taxes to receive this money, but you  
do have to file.

(Individual credit and refund amounts will vary.  
Visit [www.irs.gov](http://www.irs.gov) to estimate your refund.)

### KEEP IT!

Don't pay up to \$200 to file your taxes, or file  
hundreds more for a refund anticipation loan  
(FIAL). VITA sites can get you your refund fast,  
especially if you e-file and use direct deposit.

(Free tax preparation and filing services are  
available, subject to eligibility.)

### SAVE IT!

There are programs in your community that can  
help you save money, reduce your debt, and learn  
to manage your money. For information call:

Arizona Saves

(602) 246-3500 or 1 (877) 989-3500

[www.arizonasaves.org](http://www.arizonasaves.org)

Consumer Credit Counseling Services  
1 (888) 515-2227 ext. 4539 or ext. 4875

[www.MoneyManagement.org](http://www.MoneyManagement.org)



Governor's Task Force  
on Earned Income Tax Credit  
Governor's Office for Children, Youth and Families  
Arizona Department of Revenue  
Earned Income Tax Credit Campaign

*Arizona's commitment is printed back to back in English and Spanish.  
This translation is unedited and is for informational purposes only. It is not a legal  
substitution of the state.*

### What To Take To a VITA Site:

- ☐ Picture ID for taxpayer and spouse
- ☐ Social Security cards or ITIN cards/  
numbers for all household members
- ☐ Proof of all income, including W2  
and 1099 forms
- ☐ Name, address and tax ID# of child  
care provider
- ☐ Amount of money paid to child care  
provider last year
- ☐ Account and routing numbers for  
direct deposit
- ☐ Copy of last year's tax return
- ☐ If filing jointly, both adults must be  
present to sign the return.

### 24 HOUR HOTLINE

FREE tax preparation locations,  
or alternative brochure formats,  
contact:



Community  
Information &  
Referral

[tax.cir.org](http://tax.cir.org)

(602) 263-8856 or 1 (800) 352-3792

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Special thanks to Internal Revenue Service

**¿Es usted  
elegible para  
que le  
preparen sus  
impuestos del  
2008 gratis?**



**¡USTED SE LO  
GANO  
AHORA  
QUEDESE  
CON EL!**

### ¡GANELO!

¿Ganó menos de \$4,646 el año pasado? El Crédito Tributario por Ingresos de Trabajo (ETIC) puede pagarle hasta \$4,646. Créditos adicionales podrían pagarle aún más. No hay que pagar impuestos federales para recibir éste dinero. Pero usted tiene que declarar sus impuestos.

Cantidades individuales de créditos y reembolsos pueden variar. Visite [www.irs.gov](http://www.irs.gov) para calcular su reembolso.

### ¡GUARDELO!

No pague hasta \$200 por preparar sus impuestos o cientos de dólares por un préstamo de reembolso anticipado (RAL). Los centros VITA pueden preparar sus impuestos rápido especialmente si lo hace electrónicamente y si usó depósito directo a una cuenta de cheques o de ahorros.

(Preparación de impuestos gratis está disponible basado en elegibilidad)

### ¡AHORRELO!

Existen programas en sus comunidades que le pueden ayudar a ahorrar dinero, reducir su deuda y aprender a cómo manejar su dinero.

Para más información visite a:

Arizona Saves

(602) 248-3500 o 1 (877) 999-3500

[www.arizonasaves.org](http://www.arizonasaves.org)

Consumer Credit Counseling Services

1 (866) 515-2227 Extensiones: 4539 y 4575

[www.MoneyManagement.org](http://www.MoneyManagement.org)



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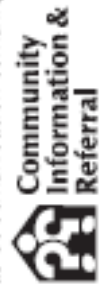
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### ¿Qué tengo que llevar al VITA?

- ☐ Identificación con foto para del contribuyente y su cónyuge.
- ☐ Tarjetas de Seguro Social o tarjetas o números del TIN para todos los miembros del hogar.
- ☐ Prueba de ingresos incluyendo formas W2 y 1099.
- ☐ Nombre, dirección y número de identificación tributario del proveedor de cuidado de niños.
- ☐ Cantidad de dinero pagado al proveedor de cuidado de niños el año pasado.
- ☐ Número de cuenta y cheque en blanco con número para depósito directo.
- ☐ Copia de la declaración de impuestos del año anterior.
- ☐ Si está declarando impuestos como pareja, ambos adultos tienen que estar presente para firmar la declaración.

### LÍNEA DIRECTA 24 HORAS AL DÍA

Si está buscando sitios de VITA o formatos en otras formas de comunicación comuníquese a:



[tax.cir.org](http://tax.cir.org)

(602) 263-8856 or 1(800) 352-3792

Este folleto fue impreso con el apoyo de



Agradecemos especialmente al Departamento de Internal Revenue Service